



Committed to the future of rural communities.

Rural Economic Development Grants (REDG)

Purpose

- Provides grant funds to electric and telephone utilities financed by Rural Development to promote sustainable rural economic development and job creation projects through the operation of a revolving loan fund program.

Eligibility and Use of Grant Proceeds

- Grants can be made, at the discretion of the Administrator of the Rural Business-Cooperative Programs (RBP), to any electric or telephone utility that is not delinquent on any Federal debt or in bankruptcy proceedings.
- The utility is required to operate and administer a revolving loan fund program using the grant proceeds. The fund will be operated by the utility in accordance with a Rural Development approved revolving loan fund plan.
- To establish the revolving loan fund, the utility is required to contribute to the fund an amount equal to 20 percent of the grant. This contribution will be provided by the utility from its own sources and will remain as part of the fund until the fund is terminated.

Third- Party Recipients and Uses of Loans from the Fund:

- Initial loans, at zero-interest, from the revolving loan fund may only be made to:
 - Non-profit entities or public bodies for community development projects and community facilities and services.
 - Non-profit entities, public bodies, or for-profit entities for educational facilities.
 - Non-profit entities, public bodies, or for-profit entities for medical facilities.
 - Non-profit entities and public bodies for business incubators to assist in developing emerging enterprises.
- Subsequent loans, at an interest rate not to exceed prime, may be made to for-profit entities, non-profit entities, or public bodies for any rural economic development purpose eligible under the program in accordance with the utility's revolving loan fund plan. Subsequent loans are made using repayment funds from the initial loan.

Ineligible Purposes

Grant funds will not be used by the utility or the third-party recipient for:

- Projects related to the sponsoring utility that would create a conflict of interest, or present a potential for or the appearance of a conflict of interest.
- Project costs incurred by the third-party recipient prior to filing of the completed application.

- Refinancing or paying off any existing debt owed by the third-party recipient.
- Electric or telephone purposes related either to the utility or the third-party recipient.
- Projects that would adversely impact the environment.
- Projects that will be used for residential purposes or entertainment purposes at the residential level.
- The purchase of an established business or operation or to primarily transfer property or real estate between owners without making substantial improvements or additions that will result in long-term job creation.
- Projects that will result in the transfer of existing employment or business activities from one area to another.

Availability of Funds and Grant Award Size

For information concerning the amount of funds available for revolving loan fund grants under the Rural Economic Development Grant program, as well as the maximum and minimum grant award size, please contact the Rural Development State Office in Bismarck.

Supplemental Financing Requirement for the Third-Party Project

- The third-party recipient must provide supplemental financing for its project. The minimum requirement is 20 percent of the amount of the loan being provided from the revolving loan fund.
- No in-kind contributions are accepted as supplemental financing.

Loan Repayment Terms between the Utility and Third-Party Recipient

- Initial loans made from the revolving loan fund must carry a zero-interest rate and not exceed a maximum term of 10 years. Lesser term notes are acceptable.
- The utility will determine repayment terms on loans made using the utility's contribution and on subsequent loans made from repayment of the initial loan. The maximum interest rate for these loans is the prevailing prime rate.
- The third-party recipient will provide collateral to the utility.
- Reasonable loan servicing fees may be charged by the utility to the third-party recipient, not to exceed one percent a year on the unpaid principal balance of the loan.

A "Complete Application" must consist of: (Refer to 7 CFR 1703.34)

- Standard Form 424, "Application for Federal Assistance" signed by the utility.
- Utility Board of Directors resolution requesting the grant for revolving loan fund purposes.
- Miscellaneous Federal forms and certifications as set forth in 7 CFR 1703.34.
- Narrative discussion of the initial third-party project consisting of the following:
 - "Selection Factors" as set forth in 7 CFR 1703.35
 - "Project Description" as set forth in 7 CFR 1703.36
 - Discussion regarding environmental impact of the third-party project.
- A revolving loan fund plan outlining, among other things, the specific objectives of the revolving loan fund program, its lending parameters, application process, and procedure for monitoring third-party projects.

Application Filing, Review, and Selection

- Applications may be filed on any official workday at any Rural Development State Office.
- A simultaneous filing must also be sent to the State single point of contact for State and local governments, if applicable.
- Application selection is competitive. Applications are awarded priority points based on the selection factors, and the highest-ranked applications are selected for funding.

Selection factors considered in the award process:

Some of the factors considered when making awards include:

- Nature of the project (medical or educational facilities, community infrastructure or services, etc.)
- Direct job creation resulting from the proposed project
- Long-term improvements in economic development resulting from the project
- County economic conditions -- unemployment rate and per capital personal income
- A rural area is any area of the United States not included within the boundaries of any urban area, as defined by the Bureau of the Census
- Loan repayment ability of the third-party recipient based on its business plan

For More Information Contact:

USDA Rural Development
220 East Rosser Avenue
PO Box 1737
Bismarck, ND 58502-1737

PH: (800)-582-7584, Ext. 2065

TTY: (701) 530-2113

Fax: (701) 530-2111

E-mail: Dale.VanEckhout@nd.usda.gov

<http://www.rurdev.usda.gov/rbs/busp/bprogs.htm>

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD). "USDA is an equal opportunity provider, employer, and lender".